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Some Observations on The Robinson-Patman Act*

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During the past year there has been no little fearful speculation about the effect of this bill on practices which have long been rationalized and complacently accepted on the theory that they are required by the exigencies of competition. As is the case with any law whose effect is so widespread, it is difficult to make a critical analysis of the provisions of the Robinson-Patman Act until some attempt has been made to apply it to specific cases. Now, for the first time, we have the benefit of the Federal Trade Commission's experience in its attempt to enforce the law, and with this experience we may crystallize at least part of what has previously been conjecture into more or less reliable guides for our own future conduct.

It is not my purpose to present a detailed discussion of each phrase in the Act, nor to speculate as to its constitutionality, since any opinion concerning the constitutionality of a questionable law must, under present circumstances, be the merest speculation. However, I believe that much can be gained through an analysis of the principal features of the Act, and through looking at the course which the Federal Trade Commission is taking in enforcing its provisions. Through such a procedure we will come to the most important feature of the Act for our purposes, namely, the relation of the Robinson-Patman Act to the work of the cost accountant.

The criminal features of the Act will not be considered since they are not of primary interest to the accountant.

In an attempt to arrive at some logical outline for discussion, the material has been classified under three divisions:

(1) An outline of the Act itself;

* The September, 1936 issue of the L.R.B. & M. JOURNAL was devoted to a consideration of the Robinson-Patman Act, the leading article being "A Layman's View of the Robinson-Patman Act" by Mr. A. R. Jennings of our New York office. Mr. Barnett's article discusses some of the more important developments during the past year.—Ed.

(2) A presentation of the fundamental principles of the Act, using representative cases as illustrations;
(3) An enumeration of the principles which are becoming increasingly clear as enforcement of the Act progresses.

Outline of the Act

On June 19, 1936, the effective date of the Robinson-Patman Act, many widely used selling practices became unlawful. Since that time numerous complaints have been brought by the Federal Trade Commission. Aside from the importance to be attached to test cases under any law, these cases possess a peculiar significance since they indicate the policy to be followed by the Federal Trade Commission in enforcing a law which presents boundless opportunity for intelligent reform of harmful selling practices, and which is at the same time a fertile field for the abortive "investigations" which have become so popular since our legislative representatives have discovered their publicity value. However, let us forget for the moment the corporation-baiting possibilities of the Act, and take it at its face value for whatever bearing it may have on the function to be performed by the cost accountant.

Stripped of all qualifications and provisos, the substantive portion of the Act declares unlawful:

First, granting or knowingly receiving a discrimination in price which will injure competition with either party to the discrimination;

Second, giving or receiving brokerage commissions not earned by the recipient;

Third, granting payments such as advertising allowances, or services such as demonstration facilities, to the purchaser where such payments or services are not made available to all customers on proportionally equal terms.

These three prohibitions are stated thus baldly in order to provide a starting point for our consideration of the Act as a whole.

Looking further at the provisions of Section 2 (a), we find that it is unlawful to discriminate in price, whether directly or indirectly. Some commentators have made much of the inclusion of the word "indirectly," but it would seem that it is unnecessary verbiage since the difference between direct and indirect discrimination is, in final analysis, only a difference of method.

The important word is "discrimination," and the statement to Congress by Representative Utterback (one of the Act's chief proponents) will serve to clarify its meaning. He said:

In its meaning as simple English a discrimination is more than a mere difference. Underlying the meaning of the word is the idea that some relationship exists between the parties to the discrimination which entitles them to equal treatment, whereby the difference granted to one casts some burden or disadvantage upon the other. If the two are competing in the resale of the goods concerned, that relationship exists.

As we will find later, this definition of the word "discrimination" places the burden upon the seller of investigating for himself the function which the prospective purchaser performs in order to make sure that the discount allowed, if any, will not injure competition with the purchaser.

Without going further into the implications of the word "discrimination," we pass to the two requisites of an unlawful price discrimination. First, the goods which are the subject of the sale must be of "like grade and quality." An interesting problem arises when the manufacturer sells goods bearing his name to the trade generally, and sells the same product to a mail order house under a different name at a lower price. If called upon to justify the price difference the manufacturer cannot defend himself on the ground that the goods were not "of like grade and quality" since the difference must be real, and not merely one of name.

This provision obviously creates a battlefield where many contests over alleged unlawful discriminations will be won or lost. But, since the phrase creates a question which is not of particular interest to the accountant, it will be left without further consideration.

A more serious problem is presented through the requirement that the discrimination, to be unlawful, must "injure, destroy or prevent" competition with any person who grants or knowingly receives the discrimination, or with the customers of either of them. By these terms, Congress has unequivocally given voice to its intention to protect the competitive ability of the individual purchaser. In the early history of anti-trust laws the discrimination was not unlawful unless it injured all competition of the same general class, such as manufacturers, wholesalers, or jobbers. General injury is no longer necessary, and the discrimination may be unlawful if it injures the competitive ability of a single person who is a customer of the seller.

Since the discrimination must injure competition to be illegal it seems clear that a seller in Cleveland may legally discriminate in price between a small merchant in New Orleans and another small merchant in Los Angeles (assuming that the lower price does not injure competition with the seller). But the serious question will arise when the seller wishes to quote a lower price to a customer in Erie, Pennsylvania, than he quotes to another customer in Buffalo, New York. Here the question of whether there is an illegal discrimination will depend chiefly upon the goods which are the subject of the sale. If the goods are in a high price or quantity range so that there might be competition in their resale by the respective customers in Erie and Buffalo, an unlawful price discrimination might exist.

Having at least defined the discrimination which the Act seeks to prevent, we now come to the defenses available against a charge of unlawful discrimination. The Act provides that it shall not prevent differentials in price which make ". . . only due allowance for differences in the cost of manufacture, sale, or delivery resulting from the differing methods or quantities in which such commodities are . . . sold or delivered."

This particular section raises the difficult question of what constitutes a difference in the cost of manufacture, sale or delivery, and will be taken up in the detailed discussion of the Act.

Sections 2(a) and 2(b) contain two more defenses of lesser importance to the cost accountant in the provisions that the accused seller may defend himself on the ground that the lower price was made in response to changing market conditions, or to meet the equally low price of a competitor.

Thus far, the provisions of the Act have been stated in mere outline in order that we may form more quickly an adequate basis for a specific discussion of the questions that have arisen and are expected to arise for decision. We may conclude our outline of the specific provisions of the law with the mention of one or two more features of the Act which require discussion.

The first of these is found in Section 2 and confers power upon the Federal Trade Commission to establish quantity limits beyond which no further discount may be given. Before this power may be exercised, the Commission must find that available purchasers in greater quantities are so few as to render further discounts conducive to monopoly or unjustly discriminatory. In this seemingly innocent phrase the framers of the law have laid bare an intention which they have disavowed many times over, namely, the intention to penalize size alone. Mr. Patman has stated that:

> Any physical economies that are to be found in mass buying and distribution, whether by corporate chain, voluntary chain, mail-order house, department store, or by the cooperative grouping of producers, wholesalers, retailers, or distributors—and whether those economies are from more orderly processes of manufacture, or from the elimination of unnecessary salesmen, unnecessary travel expense, unnecessary warehousing, unnecessary truck or other forms of delivery, or other such causes—none of them are in the remotest degree disturbed by this Bill.

We are inclined to agree with Mr. Patman, at least from a theoretical standpoint, until we find from a closer examination of the law that the Federal Trade Commission has the power to fix specified limits, for instance, a car-load, a half-car-load or whatever measure you will, beyond which no further quantity discounts may be given. And these quantity limits may be fixed notwithstanding the fact that

clearly demonstrable cost differences may be present. Fortunately, the Act provides that the Commission may exercise its power only after due investigation and hearing to all interested parties.

The second remaining feature of the Act which should be mentioned at this time in order to make clear the problem which confronts a seller accused of discrimination is contained in Section 2(b) which states that any person accused of a violation of the Act shall have the burden of proof in showing the justification upon which he relies. While this is merely a procedural factor it should prove to be a material aid to the Commission in the enforcement of the Act, and is one of the principal changes made in the Clayton Act by the Robinson-Patman Act.

Before discussing the existing cases it may be well, in the interest of clarity, to summarize the discussion so far. We have found that there are three practices prohibited:

(1) Knowingly giving or receiving discriminatory prices;
(2) Granting unearned brokerage fees; and
(3) Granting advertising allowances or services which are not available on proportionally equal terms to other customers.

As a defense to a charge of discrimination in price, the accused seller may show that:

(1) The difference in price made only due allowance for a difference in the cost of manufacturing, selling, or delivering the commodity in question;
(2) That the price difference was due to changing market conditions; or
(3) That the lower price or the furnishing of facilities was made in good faith to meet the offer of a competitor.

Fundamental Principles of the Act

Having thus outlined the fundamentals of the law, we may proceed to a consideration of the specific problems which it raises such as functional discounts, advertising and related allowances and quantity discounts. These problems are to be solved, and avoided, only by the constant application of cost accounting principles to every transaction where a sale is involved, and by the development of new cost standards to meet new questions which are raised by the terms of the Act.

Functional Discounts

The first problem of consequence to be considered is that of the functional discount. The question, stated in simple form, is whether a seller is permitted under the Act to give an allowance to one class of buyers, for instance wholesalers, that is not given to another class, e.g., retailers. In most instances the discount is allowed merely because of the traditional division of purchasers of goods into several arbitrary classes.

Let us take the Montgomery Ward & Co., Inc. case for purposes of illustration. The Federal Trade Commission issued a joint complaint against that company and against Bird & Son, Inc., a rug manufacturer, charging the latter with granting the price discrimination, and Montgomery Ward & Co., Inc. with knowingly receiving the discriminatory discount. The Commission's complaint sets out the price scheme used by Bird & Son, Inc. in selling rugs to four classes of purchasers: ordinary retailers, ordinary wholesalers, mail order houses where the order is for car-load shipments, and mail order retail stores. In the case of the ordinary retail stores, Bird & Son, Inc. allowed certain quantity discounts resulting in prices ranging from $4.24 to $4.85. For the same goods Bird & Son, Inc. made one price to mail order retail stores, $3.82, or from $.42 to $1.03 less than the price charged the ordinary retail store. The price quoted to the ordinary wholesaler was $.18 less than the flat price quoted to the mail order retail store. Here we have the problem of the functional discount illustrated in one of its more common forms.

This complaint was dismissed after the hearing before the Commission (FTC Docket 2937) but the opinion of the Commission contains statements of great importance to this discussion. By the time the complaint could be tried before the Commission, sales to ordinary retailers had been discontinued by Bird & Son, and it was found as a fact that there was no discrimination in price between the two remaining classes of customers, jobbers, and mail order houses. Further, the Commission found that the difference in the cost of selling to mail order houses and to ordinary retailers was greater than the price difference, and so there was no unlawful discrimination. While the Commission stated that the latter fact was controlling, and while the revised sales policy undoubtedly had some effect on the decision, the memorandum opinion does have some bearing upon the question of the functional discount.

The Commission stated, apparently as one of the reasons for its decision, that there was no ". . . discrimination in price between or among the only two classes of customers they have chosen to sell." A possible implication of this statement is that if there *were* price discrimination between these two classes of the defendant's customers, there would be a violation of the law. Consequently, we see here the first indication that the Commission regards the functional discount as unlawful. However, this question should not be regarded as settled until there is a clear and authoritative pronouncement by a court.

If the only functional divisions with which we had to deal were the wholesaler and retailer, the problem

would not be particularly difficult since a discount given to all wholesalers should not injure competition with a retailer. However, under present day merchandising practice, the manufacturer sells not only to the wholesaler but to the large retailer, the jobber, to the industrial users and to all the different classifications into which the wholesale trade has been divided. The question which the manufacturer now faces is how he may classify his customers and to which classes he may give prices, identical within the class, but not related necessarily to differences as between the classes. Here again, as in the determination of how certain costs should be allocated, the manufacturer is faced with the necessity of making a rather elaborate study, but this time the study is to be made of the customer himself rather than of the costs incurred in the manufacture and sale of the product.

It should be remembered that the Act itself, as well as the expressed intention of the framers of the law, indicates that there must be some relation between two different purchasers of the product which entitles them to equal treatment before there can be an illegal discrimination in price. Basing his investigation upon this general rule, the would-be seller should examine his customer list with the idea of determining whether these customers are, as a matter of fact, in competition. During the course of such an investigation the seller should not be guided by what the purchaser calls himself, but by what he really is. In other words, in the common case where the purchaser of goods is both a wholesaler and a retailer, the wholesale discount should be given only on sales intended for the purchaser's wholesale trade.

This is, of course, assuming that the price differential which the seller desires to give cannot be justified by the difference in cost of manufacturing, selling or delivering the particular quantity of goods which is the subject of the sale.

Advertising and Related Allowances

Section 2(d) of the Robinson-Patman Act is probably the most indefinite section of the Act and is, therefore, fraught with many unseen dangers for the unwary seller. This section makes it unlawful for a seller to make any payment or allowance in connection with the sale of the product unless such allowance or payment "is available on proportionally equal terms to all other customers competing in the distribution of such products." Since the prohibition of this section does not directly affect the work of the cost accountant it will not be taken up in detail.

Again we must content ourselves with a consideration of the probabilities involved rather than a presentation of any infallible method of avoiding entanglements with the

law. Most of the complaints issued by the Commission under this section thus far involve the furnishing of demonstrating facilities in the store of the purchaser, including the payment of salaries of demonstrators and the purchase of demonstrating equipment. The provisions of the law requiring that these allowances be available on "proportionally equal terms" have subjected advertising, promotional, and display contracts to extremely close scrutiny.

The full import of the words "proportionally equal terms" may not be grasped until we realize that none of the justifications which the Act allows for a price difference are available in the case of the advertising allowance. The only condition under which such allowances may be made is that they be on "proportionally equal terms." Proportionally equal to what? Take as an example the case of the Richard Hudnut company, against which a complaint has been issued (FTC Docket 2973). Suppose that company already receives orders from several small stores in any given city and assume that the Hudnut products are not sold in a certain large department store in the same city. How can Richard Hudnut grant advertising allowances to the large department store without granting the same allowances to the small stores in which it may not be particularly interested? Putting the question in specific terms, what factors may Richard Hudnut use in determining the allowance which it legally may grant to the large department store? Should it be on the basis of floor space of the stores involved, or should it be on the basis of the average daily number of persons passing through the respective stores? Obviously it cannot be on the basis of the comparative volume of sales of the Hudnut company products since the very purpose of the advertising allowance is to open a market in the large department store. It has been suggested, and probably correctly, that this problem may be solved if the seller is prepared to grant advertising allowances to any or all customers upon application. However, this suggestion is more or less circuitous since it merely tells the seller to comply with the law if he wishes to avoid entanglement. But a reading of the Act itself indicates that secret advertising allowances or similar services may no longer be granted with any assurance of legality unless the seller is prepared to make such services and allowances available to all his customers. What "proportionally equal terms" are will necessarily be dependent upon the facts of the individual case.

Quantity Discounts

Now, let us take up the foremost problem presented by the Robinson-Patman Act—that of the quantity discount. This question is raised when a seller has "discriminated" between different purchasers of

commodities of like grade and quality by giving a lower price or a larger allowance of some sort to the purchaser of the larger quantity.

For purposes of illustration let us take the Kraft-Phenix Cheese Corporation case. The complaint of the Federal Trade Commission first set forth the facts requisite to its jurisdiction, namely, that the seller was engaged in distributing and selling its products in interstate commerce, and then went on to allege that the Cheese Corporation had been granting quantity discounts on sales of loaf cheese based on the number of pounds purchased. Further, the Commission alleged that the effect of such quantity discounts was to lessen competition with the seller and also with the persons competing with the favored customers of the seller.

Does the charge sound over-simplified? It isn't. The entire complaint of the Commission is contained in seven short paragraphs. But by reason of Section 2 (b), which places the burden of showing justification upon the accused seller, the Commission may thus easily cast an onerous burden upon the accused seller.

But let us look at the predicament in which the accused seller finds himself and see whether we can erect a defense against the complaint of the Commission. There are several general lines of defense which he may adopt. He may show that the discounts did not injure competition, either with himself or with the recipient of the discount. In the Kraft-Phenix case the defendant was successful in proving that competition was not injured by the discounts allowed, and the complaint was dismissed very largely on this ground (FTC Docket 2935).

However, there are several other defenses which might be raised by a seller accused of granting an unlawful quantity discount, the most important of which for the purposes of this discussion is that the difference in price made "only due allowance" for differences in cost resulting from the different quantities in which the product is sold. This immediately raises the question of what are supportable schemes of classification for the allowance of quantity discounts. In the past it has been the practice of sellers to offer discounts based upon rather wide brackets of quantities purchased. It is clear that a customer whose purchases are just over the line of one bracket may be favored over the customer whose purchases fall just below the same line. Yet, the seller must necessarily make some allocation as between the different brackets within which different rates of discount will be allowed. In the Kraft-Phenix case there were four discount brackets. The Commission found that differences in delivery cost justified the difference in price between the two lowest and two highest brackets, and that the difference between the next

highest and the next lowest bracket was not large enough to injure competition. Possibly a great deal of difficulty may be avoided if the different brackets are closely spaced with correspondingly small discounts allowed as between the various brackets.

A frequent question is whether discounts based on the so-called "increment tonnage" theory are justifiable under the law. The proponents of the Act have given notice in no uncertain terms that the entire benefit of a reduction in unit cost made possible through the receipt of a very large order may not be allowed to the purchaser who places the order. During a discussion of the Act in the House before it was passed, Mr. Utterback, referring to discounts based on the increment tonnage theory and the consequent reduction of unit cost, had this to say:

> If his purchases so increase the seller's volume as to make possible a reduction in unit cost upon his entire business, other customers are entitled to share also in the benefit of that reduction. The differential granted a particular customer must be traceable to some difference between him and other particular customers, either in the quantities purchased by them or in the methods by which they are purchased or their delivery taken.

In spite of this definite pronouncement before the passage of the Act the question still remains to be decided judicially.

There is a great deal to be said for the increment tonnage theory. Assuming the existence of prior business for which it would be necessary for the seller to incur certain costs, both manufacturing and overhead, the additional cost of filling an extremely large order may very closely approximate the direct cost. Along this line, mention should be made of the Goodyear Tire & Rubber Company case (FTC Docket 2116). There the question was whether the Goodyear Tire & Rubber Company could lawfully sell its products to Sears, Roebuck and Company at a price which recognized only the additional cost of filling the requirements of a long-term contract of Sears, Roebuck and Company. If only the additional cost is to be so recognized, the entire benefit of the reduction in unit cost effected by the greatly increased volume resulting from its order will be given to Sears, Roebuck and Company. Although the Goodyear case was brought under Section 2 of the Clayton Anti-Trust law, which is amended by the Robinson-Patman Act, the validity of the same theory of allocation of costs was in question. On November 5, 1937 the United States Circuit Court of Appeals (6th) set aside the cease and desist order of the Federal Trade Commission and remanded the case without an order to dismiss the complaint and without prejudice to the Commission's right to bring new proceedings under the Robinson-Patman Act. This result appears to have been reached solely

upon jurisdictional grounds with no decision on the merits of the case.

There is, however, one important point which should be considered by the seller lest he confuse a lawful quantity discount with a discount which is economically sound. With full realization of the fact that, as a practical matter, the amount of a quantity discount is very often determined almost solely by the pressure of competitive bidding, let us assume the happy case of a manufacturer whose only concern is to arrive at a lawful discount which he may allow to a large volume purchaser whose order reduced the seller's unit cost. Assuming further that the manufacturer can demonstrate that the cost of producing, selling, and delivering the large purchaser's orders was a total of one dollar per unit less than the same cost of small orders, should the seller grant a quantity discount of one dollar per unit merely because it is apparently lawful? Whether the allowance of such a discount would be economically justifiable depends upon the effect which the discount allowed to the large volume purchaser would have upon the manufacturer's basic volume. Where the circumstances are such that the discount allowed to the large volume purchaser would enable him to undersell and thus reduce the volume of the small purchaser, the manufacturer's total volume would be reduced by a decrease in the orders of small purchasers. In this event, there might be no increase at all in total volume, and the reduction in unit costs through the receipt of the volume purchaser's order might disappear completely.

Let us now look at some of the narrower problems which are presented where a discount is given based on the quantity purchased. One of the more debatable items is that of advertising expense. Assume in the facts of the Kraft-Phenix Cheese Corporation case that some of the customers are committed on long-term contracts for the purchase of the seller's products, and are allowed a discount which cannot be justified since advertising costs have not been apportioned entirely on the basis of volume of purchases. The seller may attempt to justify his failure to apportion any of the cost of trade advertising to the purchaser under the long-term contract on the ground that the trade advertising had no bearing on the amount of the purchase under the long-term contract. He may say that the purchaser under the long term contract would have bought just as many pounds of cheese during the year 1936 if there had been no trade advertising since the contract ran from 1934 to 1938. There is certainly some justification for this contention and, upon its face, it sounds unanswerable. However, what may we expect the Commission to say in the light of its decision in the Goodyear case? It may very well contend that the cost of trade

advertising was a necessary expense of the seller's business as a going concern and that some portion of the cost of trade advertising must necessarily benefit the purchaser under the long-term contract by making the product more generally known and thereby indirectly increasing the demand.

This argument may be applied with equal force to almost any situation where no part of the burden of trade advertising is allocated to the large purchaser. Unfortunately, no definite advice may be given at this time for the guidance of sellers confronted with the problem. However, merely by presenting the problem for consideration we may put the unwary on notice that, unless he at least avoids flagrant violations under this theory of the law, he may be called upon by the Federal Trade Commission to explain.

In the same general category of selling expense we find such items as salaries and traveling expenses of salesmen. Again the question is whether the seller should include in the cost of sales to the long-term contract purchaser a proportionate share of these expenses. The arguments on both sides were pointed out in the discussion of the treatment of trade advertising, and need not be repeated, except to point out that the seller's argument to the effect that such costs were not incurred in the sale to the long-term contract purchaser applies with even more force in the case of salesmen's salaries and expenses. Here the question is presented more clearly as to whether necessary sales expense is to be allocated to all customers, or to only part of them. If the Commission's present views obtain, the seller will be forced to compare costs as to each customer with cost as to every other customer, and if he must pay the penalty for illegal discrimination where he is unable to justify the comparison between any two particular customers, he has a new and most extraordinary task of cost accounting to perform before deciding what his price differentials should be.

A further and even more baffling question is presented when the seller begins to apportion credit expense as between his various customers. Should we not allocate the entire burden of credit expense solely to the bad credit risks whose business requires the establishment and maintenance of a credit department? If so, we must analyze the credit risk taken on each individual customer, or we must at least establish some narrow classification of credit risks, in order to apportion credit expense on any basis which will be at all acceptable.

Conclusions

What the final conclusions on the confusing questions raised by the Robinson-Patman Act will be, no one can say at present with any degree of certainty. However, apply-

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Margin Requirements for Customers' Accounts

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The Board of Governors of the Federal Reserve System has amended Regulation T to increase the maximum loan value from 45 per cent. to 60 per cent. of the market value of registered securities in customers' margin accounts. Included in the Supplement (effective November 1, 1937) to Regulation T is the following:

> *Maximum loan values.*—Pursuant to the provisions of section 7 of the Securities Exchange Act of 1934 and section 3 of its Regulation T, as amended, the Board of Governors of the Federal Reserve System hereby prescribes the following maximum loan values of registered securities (other than exempted securities) for purposes of Regulation T:
>
> (1) *General rule.*—Except as provided in paragraphs (2) and (3) of this supplement, the maximum loan value of a registered security (other than an exempted security) shall be 60 per cent. of the current market value of the security. . . .

Paragraphs (2) and (3), to which reference is made in the general rule above quoted, do not apply to customers' margin accounts.

A discussion of Regulation T in which registered and exempted securities were defined appears in a previous article "Regulation T Under the Securities Exchange Act" in the L. R. B. & M. Journal, Volume 15, Number 5, November, 1934.

The Federal Reserve Board margin requirements are not maintenance margins. They apply only to the requirements at the time of the original transactions.

If the equity in a customer's margin account decreases below the requirements of the Federal Reserve Board due to a fluctuation in market values the account becomes what is described by the Federal Reserve Board as a "restricted" account. No additional margin is required under the Federal Reserve Board regulations, but should the equity drop below New York Stock Exchange requirements, the broker then is obligated to take steps to comply with the rules and regulations of the latter institution.

Long Accounts

Under the Federal Reserve Board ruling a customer purchasing a security (other than those exempted) is required to deposit margin with his broker of at least 40 per cent. of the purchase price of such security. The customer may make such deposit either in cash or by depositing

securities. If securities are deposited, 60 per cent. of their market value must be equal to or greater than 40 per cent. of the market value of the security purchased, or in other words the market value of the securities purchased, plus the market value of the securities deposited as margin, must be equivalent to or more than 166 2/3 per cent. of the cost of the new purchase.

For example, a customer making a purchase of 100 shares of a security at $100 per share, totaling $10,000, must either make a deposit of $4,000 in cash or of securities having a market value of at least $6,675, of which amount 60 per cent is approximately $4,000.

A few years ago the Committee on Business Conduct of the New York Stock Exchange, pursuant to the provisions of Section 5 of Chapter XV of the rules promulgated by the Governing Committee, adopted the following rule, which is still in effect, relative to the minimum amount of margin to be required and maintained in customers' margin accounts:

(a) Accounts having only "long" security positions:

The minimum margin in such an account shall be equal to at least 30% of the debit balance.

The foregoing ruling of the New York Stock Exchange means that the market value of the long securities must at all times be at least 130 per cent. of the debit balance and is the minimum margin to be maintained by the members of the New York Stock Exchange in all customers' margin accounts. It will therefore be noted that the maintenance requirements of the New York Stock Exchange are less than the requirements stipulated by the Federal Reserve Board on initial transactions.

Short Sales

A new regulation has been issued by the Board of Governors of the Federal Reserve System covering margin requirements on short sales. This regulation included in the Supplement (effective November 1, 1937) to Regulation T is as follows:

> *Margin required on short sales.*—Pursuant to the provisions of section 7 of the Securities Exchange Act of 1934 and section 3 of Regulation T, as amended, the Board of Governors of the Federal Reserve System hereby prescribes that the amount to be included in the adjusted debit balance of an account, pursuant to section 3(f) (3) of Regulation T, as amended, as margin required on short sales of securities (other than unissued or exempted securities) shall be 50 per cent of the current market value of each such security. . . .

Previous to the issuance of this new regulation, no margin requirements on short sales had been prescribed by the Federal Reserve Board, although the New York Stock Exchange required their members to maintain a minimum margin of ten points ($10) a share, or ten per cent. on the principal amount

of a bond on short sales in customers' margin accounts.

In connection with the ruling quoted above, the Committee on Business Conduct of the New York Stock Exchange issued to their members under date of October 28, 1937, the following regulation effective November 15, 1937, covering the minimum amount of margin to be required and maintained in customers' margin accounts having short security positions:

> (b) Accounts having only "short" security positions:
> The minimum margin on each security "short" in such an account shall be equal to at least
> (i) 30% of the market value, or $5 per share, of any stocks "short" in the account, whichever amount is greater; plus
> (ii) 30% of the market value, or 5% of the principal amount, of any bonds "short" in the account, whichever amount is greater.
>
> These revised margin requirements will apply to positions held on November 15, 1937, or resulting from transactions effected on or after that date (trade date).
>
> In each case in which on November 15, 1937, the equity in an account is insufficient to meet the revised requirements, such additional margin as is required shall be obtained as promptly as possible, and in any event within a reasonable time.

It will be apparent from the rulings as quoted above that the members of the New York Stock Exchange must conform to the ruling of the Federal Reserve Board provided the requirements of the New York Stock Exchange are not greater than those of the Federal Reserve Board on the date of a transaction.

For example, a customer sells short 100 shares of a stock at $9 a share, totaling $900. On the date of this transaction the Federal Reserve Board requires a deposit of $450 but the New York Stock Exchange requires a maintenance minimum margin of $5 per share or $500. In this case the New York Stock Exchange ruling would apply.

If a customer sells short 100 shares of a stock at $11 a share, totaling $1,100, then on the date of the transaction the Federal Reserve Board would require an initial amount of 50 per cent. of the market value of the security or $550 and the New York Stock Exchange would require a maintenance minimum margin of $5 per share or $500. This case clearly indicates that the Federal Reserve Board requirement would prevail.

From the foregoing it is obvious that stocks selling below $10 a share would be governed by the requirements of the New York Stock Exchange.

If a customer sells short 100 shares of a stock at $17 a share, totaling $1,700, then on the date of the transaction only the Federal Reserve Board margin requirement of

50 per cent. of the market value of the stock or $850 would prevail because it is greater than either of the requirements of the New York Stock Exchange. After this initial margin has been deposited, the minimum maintenance margin requirements of the New York Stock Exchange of 30 per cent. of the market value, or $5 per share, whichever amount is greater, of any stocks short in the customer's accounts, would prevail.

In connection with the above minimum maintenance margin requirements of the New York Stock Exchange, the margin on stocks selling at $16¾ a share or less would be computed at $5 a share and those selling over $16¾ a share at 30 per cent. of such market value.

With respect to the New York Stock Exchange ruling (b) (ii) as quoted heretofore, the margin requirements for bonds sold short (with the exception of United States Government obligations) is computed in the same manner as previously explained in connection with stocks sold short.

Mixed Accounts

The rule of the New York Stock Exchange governing the customers' minimum maintenance margin requirements in mixed accounts follows:

(c) Accounts having "long" and "short" positions in different securities:
The minimum margin in such an account shall equal the aggregate of the foregoing minimum requirements in regard to "long" security positions and "short" security positions computed separately.

As an example of the foregoing rule (c) a customer having a net debit balance of $10,000 and short 100 shares of a stock having a market value of $50 a share, totaling $5,000, would require a long security position with a total market value of $21,450, computed as follows:

Debit balance		$10,000
Add:		
Cost to cover short sale	$5,000	
30 per cent. of market value of short sale as margin	1,500	6,500
Adjusted debit balance, including margin required on short sale		$16,500
130 per cent. of the adjusted debit balance, which is the total market value of long securities required		$21,450

As previously stated securities selling under $16¾ per share would necessitate the use of $5 per share in computing the minimum maintenance margin required on the short sale in the foregoing example.

Other conditions prescribed by the New York Stock Exchange cover-

ing margin requirements of customers' accounts are quoted below:

(d) Accounts having "long" and "short" positions in the same security:

The minimum margin in such an account shall be the amount required under (a) or (b) above on the net position, provided delivery on the "short" position has been made by the use of the securities carried in the "long" position; otherwise, the gross "long" position shall be margined in accordance with (a) above, and if the "short" position exceeds the "long" position the excess "short" position shall in addition be margined in accordance with (b) above.

(e) Exchangeable or Convertible Securities:

When a security carried in a "long" position is exchangeable or convertible within a reasonable time, without restriction other than the payment of money, into a security carried in a "short" position for the same customer, the minimum margin on such positions should be determined in accordance with the provisions of paragraph (d) above.

(f) Margin on United States Government Obligations:

The minimum margin on "long" or "short" positions in United States Government obligations shall be 5% of the principal amount of such obligations and the minimum margin for accounts having positions in such obligations shall be adjusted accordingly.

All securities issued or unconditionally guaranteed as to principal or interest by the Government of the United States may be considered as "United States Government obligations."

Minimum Requirements

It must be borne in mind that the foregoing margin requirements of the Federal Reserve Board and the New York Stock Exchange are the minimums set by the respective organizations but each member broker of the New York Stock Exchange may establish his own requirements in excess of the prescribed minimum.

The 1937 Firm Meeting

The Seaview Golf Club, Absecon, New Jersey, was familiar ground to many attending the 1937 firm meeting since similar gatherings had been held there on five previous occasions.

This annual "get together" does much to maintain at a high level the *esprit de corps* of our organization, to further common aims and to develop effective coordination of practice between our different offices. Also, the bringing together of representatives of our various offices throughout the country affords opportunity to those engaged on assignments in which more than one office participates to discuss recent developments and to outline procedure for approaching year end examinations.

Three sessions were devoted to the discussion of practice problems. In the afternoon of October 14th, under the leadership of Mr. Sweet, the topic was Problems in Connection with Registration Statements. In the evening, Colonel Montgomery presided at the meeting dealing with new developments under the Revenue Act of 1937. The afternoon of October 15th was devoted to the discussion of general accounting problems under the chairmanship of Mr. Schaffer.

Although the inquirer at these meetings did not always receive an answer to his problem, which would relieve him of working it out for himself, he often invited an illuminating debate, a helpful preliminary to arriving at the solution of a problem which involves numerous pros and cons.

The weather, although not entirely ideal, nevertheless permitted of the usual 36 holes of golf being played. By far the greater number engaged in the ancient and honorable game on the Club's beautiful golf course on the mornings of October 14th and 15th.

It appears that by this time the handicappers have a pretty fair line on the ability of our embryo Bobby Joneses so that a winner of any of the prizes must now have a greater proportion of ability than of mere friendship with Lady Luck.

Mr. John Farrar, of our Newark office, was the fortunate winner of the coveted L. R. B. & M. cup with a low net for both days of 148. Hence, that office will have the honor of custody of the cup, at least until the next meeting, and John will have the satisfaction of having his name preserved for posterity by being engraved on the cup.

There follows a list of the other prize winners who were paid off in golf balls:

S. B. Ives, Atlanta, Two day low gross	172
A. G. Moss, Dallas, Low gross first day	86

J. M. Haynes, Washington,
Low gross second day 87
G. R. Keast, San Francisco,
Low net first day 74
Four way tie for low net on the second day: 73
A. K. Fischer, Philadelphia
M. A. Granger, New York
C. H. Knoll, New York
W. R. Staub, New York
F. R. Bloomburg, Philadelphia,
Kickers' handicap first day 77
Two way tie for kickers' handicap on the second day: 79
A. C. Guy, Cincinnati
C. Ondrick, New York

The golf thrill of the meeting was the performance of Mr. T. Edward Ross in scoring an "eagle" by holing out his second shot on the four par number 12 hole from about 120 yards off the green with a No. 7 club.

We predict that in future years, long after the esoteric discussions on S. E. C. and taxes are forgotten, the 1937 firm meeting will be remembered as the one during which Mr. Ross "shot an eagle."

BISH.

Some Observations on the Robinson-Patman Act

(*Continued from page 12*)

ing the rule of reason insofar as possible under the law, we may at this time devise certain general rules. In the first place, it should not be necessary to allocate the cost of questionable items such as those mentioned above with mathematical certainty. In fact, in its opinion in the Kraft-Phenix case, the Commission specifically recognized the impossibility of absolute accuracy in the allocation of certain delivery costs by indulging in an assumption that the cost of delivery of one product from a small truck was equal to the cost of delivering another product by the same means, and therefore was more than the demonstrated delivery cost directly from a warehouse. Consequently, using the same principles in developing cost standards as used in the factory, the accountant should be able to arrive at cost standards which would, for ordinary purposes, be sufficiently accurate to form the basis for legal price differentials. Second, the cost differences should be actual insofar as possible, and not mere arbitrarily imputed cost differences. Third, the cost difference may not include the entire saving in general overhead resulting from the increased volume afforded by the purchaser's order.

As we have seen, the problem to be solved by the accountant calls more than ever for an intelligent analysis, not only of manufacturing costs, but of selling and delivery expense.

Opportunities in America

The Hon. James W. Gerard, one of America's representatives at the coronation of King George VI, is quoted as having stated during the coronation festivities that,

> It is not enough to tell youth that they have to do their duty. We have got to keep telling them that the door of opportunity is open so that they will know that thrift and hard work will have their proper reward.

Telling evidence of the truth of his conviction that the door of opportunity is still open is the following tabulation which appeared in a recent issue of *Telephone Topics,* a house organ published by one of the companies of the Bell Telephone System. It presents the first jobs and initial pay of the presidents of the Bell companies:

Company	*President's Name*	*Date of Employment*	*Place of 1st Employment*	*First Pay Per Year*	*First Job*
Amer. Tel. & Tel. Co.	Walter S. Gifford	1904	Chicago-W.E. Co.	$520	Clerk—Payroll Dept.
New England	John J. Robinson	1899	New York City	468	Cable Splicer's Helper
Southern New England	Harry C. Knight	1902	New Haven	988	Gen'l Canvass. Agent
New York	James L. Kilpatrick	1896	Philadelphia	546	Wireman
New Jersey	Chester I. Barnard	1909	Boston	600	Clerk
Pennsylvania	Philip C. Staples	1904	Baltimore	624	Salesman
Chesapeake & Potomac	Lloyd B. Wilson	1899	Plattsmouth, Neb.	144	Night Operator
Southern	James E. Warren	1900	Nashville, Tenn.	360	Stenographer
Ohio	Randolph Eide	1911	New York City	780	Special Inspector
Cincinnati & Suburban	Archibald J. Allen	1907	Pittsburgh	600	Service Inspector
Michigan	George M. Welch	1904	Minneapolis	780	Stenographer
Indiana	James P. Carroll	1906	Syracuse, N. Y.	624	Traffic Student
Wisconsin	William R. McGovern	1900	Milwaukee	300	Draftsman
Illinois	Floyd O. Hale	1903	Pittsburgh	600	Clerk
Northwestern	Arthur A. Lowman	1894	Clarinda, Iowa	624	Repairman
Southwestern	Albert C. Stannard	1899	Springfield, Mass.	300	Night Operator
Mountain States	Frederick H. Reid	1902	Denver	600	Collector
Pacific	Ned R. Powley	1908	Boston	600	Statistical Clerk

Young men of the present day who may be somewhat concerned for fear America no longer offers opportunity for the youth with ability, initiative, ambition, and stick-to-it-iveness ought to read this tabulation and take new hope. The periodical in which this tabulation appeared well described the Bell System as "an industry of opportunity," and emphasized the promise which the accomplishment of these men holds to others willing to emulate their example, in the following pungent sentences:

"In the early nineteen hundreds, eighteen young men worked for scattered telephone companies in America. . . . Unknown to each other, little different from the hundreds of young men who are joining the Bell System today, they started work at beginners' jobs and beginners' pay. . . . With courage, initiative and perseverance they progressed through

the organization and each did his part in building one of the greatest industries ever dedicated to public service. . . . Today these same men hold the highest executive positions in the Associated Companies of the Bell System. . . . They stand as living examples of the inherent democracy and equality of opportunity in the telephone industry; where advancement from the humblest position is limited only by individual ability."

New Form of Tax Avoidance

The following unique method of tax avoidance, reported in a recent dispatch from Topeka, Kansas, in the *New York Sun* of October 28, 1937, is not recommended to any of our clients:

Mrs. Bertha Mae Vaughn, cafe owner, was so befuddled trying to figure out her sales and social security taxes that she decided to go out of business and burn her place.

Mrs. Vaughn told officials of the State Fire Inspection Department, they said, that she didn't have a good education and couldn't solve the problem of her tax obligations. The fire loss was estimated at $1,800.

"Practical as a Public Accountant"

On Sunday, November 21, at Floyd Bennett Field, in Brooklyn, members of the New York City branch of the Women's International Association of Aeronautics gathered to pay tribute to Amelia Earhart, the famous aviatrix. Miss Fannie Hurst, the novelist, who represented Mayor La Guardia, said in describing Miss Earhart's character: ". . . she was as practical as a public accountant. . . ."

The L. R. B. & M. Journal

Published by Lybrand, Ross Bros. & Montgomery, for free distribution to members and employees of the firm.

The purpose of this journal is to communicate to every member of the staff and office plans and accomplishments of the firm; to provide a medium for the exchange of suggestions and ideas for improvement; to encourage and maintain a proper spirit of cooperation and interest, and to help in the solution of common problems.

Fifty Years

This year's annual meeting of the American Institute of Accountants, which was held in New York City, October 18-22, marked the completion of the first half century of organized public accountancy in the United States. The retrospect of fifty years is amazing in the development it reveals of a profession from the most insignificant beginnings to a place of service and honor in the business and financial world.

It seems most unlikely that any one of that half dozen who, in 1887, gathered to organize the American Association of Public Accountants, the lineal predecessor of the Institute, could possibly have imagined the growth of the profession in the

ensuing half century. The first certified public accountant law, that of New York, was not enacted until nine years later,* and eighteen years later when the Federation of Societies of Public Accountants in the United States of America, which had been organized some three years before, was merged with the association, the combined membership was only 601. But at the close of the fifty years the membership had grown to almost 5,000.

The growth in membership, gratifying though it is, and good as the promise is of still greater growth in the years ahead, is not the sole, or even most important, indication of the progress of accountancy to professional status in this country. The general understanding today of the function of the certified public accountant in the business world and the service he can render to the industry, commerce and finance of the nation contrasts markedly with the almost total lack of such an understanding years ago. He has received recognition from government in such fields as taxation, where he is admitted to practice before the Treasury and the Board of Tax Appeals, and the registration of securities, where the Securities and Exchange Commission not only looks to him for the performance of those duties imposed by the several securities acts, but also welcomes his assistance by way of counsel and cooperation in the endeavors of the Commission to simplify and make most effective the administration of those acts. Confidence is reposed in his integrity and there is widespread recognition of his aim to be impartial and fair in the reports he makes and the opinions he expresses. There is trust in his maintaining intact those confidential relations which must obtain between client and accountant. These are all indications of the status which the profession has attained and of the soundness of the foundations laid by the pioneers.

No detailed account of the 1937 meeting of the Institute will be given here as it will doubtless appear in the publications of the Institute and other accounting organizations. Suffice it to say that the attendance far exceeded that of any previous meeting of the Institute, that a considerable number of accountants from other countries were present, including England, Scotland, Ireland, Holland, Germany, Canada, and Mexico, that the papers submitted were of a high order, and that the social events were delightful.

The wisdom of the amalgamation of the two national organizations which was consummated in 1936 was evidenced by the spirit of unity and hearty cooperation which prevailed at the annual meeting and during the first year following the merger. Our firm regards it as a high honor that during this period Colonel Montgomery was the president of the Institute.

* The forty-eighth state C. P. A. law was not enacted until 1921.

May the Institute continue in the next half century, and indeed surpass, the fine record of service to the profession which has marked the past fifty years.

Institute Competition

One of the special events of the Fiftieth Anniversary meeting of the American Institute of Accountants was the contest arranged for essays on the question of "To What Extent Can the Practice of Accounting Be Reduced to Rules and Standards?" A prize of $500 was offered for that essay which a special committee of the Institute should select as presenting the best answer to, and discussion of, the above question.

It is a keen satisfaction to our firm that Mr. Gilbert R. Byrne, a member of the staff at our New York office, was the winner of the prize. Some forty papers were submitted in the contest, a number of which are stated to have had considerable merit. Mr. Byrne is, therefore, entitled to all the more credit for having had his essay adjudged to be the best among this large number.

Mr. Byrne's essay has been published in the November issue of the *Journal of Accountancy,* and will well repay reading by every member of our organization.

Accounting Conscious

A quarter century ago the term "Certified Public Accountant" meant very little to most men outside of the profession. His functions, and the services that he might render to business and financial enterprises were but little understood by the average man.

Today there is a general realization of the fact that he has an important place in the business world; that the complex business conditions of the present day make his services indispensable; that a financial statement made for the purposes of obtaining credit, or a published report of a corporation to its stockholders, which does not bear his certificate is incomplete; and that the various tax and regulatory statutes relating to modern business make his services highly essential.

As President Roosevelt said in the opening sentence of his message to the American Institute of Accountants on the occasion of its recent Fiftieth Anniversary celebration, "A public accountant has one of the most responsible and trusted positions in the world."

The following references to accounting have recently appeared in the column "On the Record," which Miss Dorothy Thompson writes periodically for the *New York Herald Tribune:*

In an article, "Concerning Vermont," in which she dealt with the agricultural situation in the country, she indicated her realization of the importance of cost accounting by reference to it in the following sentences:

Farming can either be an industry or a way of life. If it is an industry it needs to be run like an industry, with capital, with *cost accounting,* with science, with organized attempts to constantly broaden the market, and to profitably cheapen the product by rationalization (italics ours).

In an article commenting on the recent elections, she stated with reference to that in New York City that,

It proved that the New Yorkers, at least, are not inclined to pay much attention to the Red menace, if the Red menace is incorporated in personalities like LaGuardia, Robert Moses and Tom Dewey. They are grateful for clean streets and *clean accounting,* for parks which are, at last, an ornament to the city and a pleasure to its inhabitants, and for a vigorous war against racketeering and crime (italics ours).

It is interesting to find someone with Miss Thompson's wide knowledge of affairs and alert mind evidencing a realization of the importance of good accounting in many spheres of modern life. One may well say that our times are "accounting conscious."

Iceland's Codfish Crisis

In view of the comments by Mr. Staub in his article in the September issue of our JOURNAL on the effect of the civil war in Spain on the codfish industry in Iceland, it was interesting to note that the *New York Herald Tribune* of October 24 contained an article by Carlyn G. Coffin entitled "Iceland's Codfish Crisis." It brought out the same thought concerning the economic suffering of Iceland's principal industry from the Spanish developments, which Mr. Staub had brought out in his earlier article.

Notes

On October 16 a dinner was given in honor of Mr. Lybrand at the Waldorf-Astoria, New York, to celebrate his completion of fifty years of practice in the profession of accountancy. The dinner was attended by members of our firm and their wives and by the members of our New York staff and their wives. An account of the dinner will appear in the next issue of the L. R. B. & M. JOURNAL.

The anniversaries of two Philadelphia partners were celebrated during the month of October.

Mr. Pugh completed forty-five years in public accountancy, he having entered the employ of Heins, Whelen, Lybrand & Co. on October 16th, 1892. Mr. Pugh was presented with a double helmsman's wheel clock with barometer and thermometer, with best wishes for good sailing weather as he continues his voyage.

On the morning of October 7th, Mr. Hood was greeted with a large floral display, and was presented with a silver desk clock and a mahogany cigar humidor. Mr. Hood became associated with the firm on October 7th, 1907.

During the Fiftieth Anniversary celebration of the American Institute of Accountants, which was held in New York last month, Colonel and Mrs. Montgomery gave a reception at their home, Wildacres, Greenwich, Connecticut, to the presidents of the societies of certified public accountants of the United States of America and possessions and the foreign visitors to the Institute meeting.

Unfortunately, the weather was not favorable, so that those attending the reception did not have opportunity to go through the grounds to see the collection of conifers (cone-bearing evergreen trees) which comprises more than seven hundred different species and varieties, including many rare and beautiful specimens.

The development of this collection of conifers, and of a collection of palms and other tropical and semi-tropical plants on the Colonel's place in Florida—the latter collection now including some four hundred species and varieties of palms—has become his major hobby. Even golf, to which he was at one time quite devoted, has had to take a back seat; in fact it has almost vanished from his activities.

During the Institute meeting an exhibit of selected books and manuscripts from the Montgomery Library of Accountancy was on display in the library of Columbia University for those attending the celebration.

Colonel Montgomery has been reappointed Chairman of the New York State Council on Accountancy for a term of three years from August 1, 1937.

Mr. A. T. Davies, one of our London partners, and Mrs. Davies paid a visit to America during October which we trust was as much enjoyed by them as it was by those who had the privilege of meeting them while they were here. Mr. Davies attended the firm meeting at Absecon and, together with Mrs. Davies, the testimonial dinner to Mr. Lybrand and the Fiftieth Anniversary celebration of the American Institute of Accountants.

At the annual meeting of the Cotton-Textile Institute, held in New York City on October 27, Colonel Montgomery delivered an address on "Tax Reform or What?" The address received considerable attention in the newspapers of the following day.

Mr. L. C. David, one of our partners at Paris, was recently in New York. We regret that the business which brought him to America did not develop early enough to have permitted him to attend the firm meeting and the annual meeting of the American Institute of Accountants. As Mr. David played Rugby football in his school days, he was much interested in the differences between the sport as played in England and as he saw it played in America between Princeton and Dartmouth on November 6.

At the annual convention of the Texas Society of Certified Public Accountants, recently held in Fort Worth, Mr. Mohle, who is in charge of our Houston office, was elected President of the Society.

The *New York Herald Tribune* on Saturday of each week has a column on its financial page entitled Behind the Financial News, which represents a weekly summary by Edward H. Collins, Associate Financial Editor, of important reading in business, economics, finance and public affairs. The issue of October 23 included mention of "A Digest of the Revenue Act of 1937" by Mr. W. H. Davidson, of our New York office, which appeared in the L. R. B. & M. JOURNAL for September.

The following quotation from the *Walworth Craftsman, Kewanee Works,* relates to Mr. C. R. Gallup, who was on the staff of our Chicago office for many years:

> C. R. Gallup, who for the last seventeen years was in charge of auditing the books of the Kewanee Works, passed away on Thursday, July 22. Death was attributed by the attending physician to a sudden heart attack.
>
> Mr. Gallup was associated with the accounting firm of Lybrand, Ross Bros. & Montgomery. His friendliness and good nature, which he always manifested on his annual business visits,

enabled him to form many lasting friendships among the executives and employees of the Kewanee Works. Our Works Accountant, W. H. Redfield, paid the following tribute to Mr. Gallup: "He was one of those rare auditors whom you like to see come into the office. He had the knack of getting along with the organization and of getting them to do things without irritating them. We shall certainly miss him around here."

The Board of Trustees of the University of Illinois has appointed Mr. H. C. Hawes, of our Chicago office, to membership on the Advisory Committee of Accountancy.

Mr. E. E. Wakefield, of our Boston office, attended the twenty-fifth annual New England Tax Conference held at Dartmouth College, Hanover, N. H., on September 29 and 30, and the thirtieth annual Conference on Taxation of the National Tax Association held in Baltimore, October 25-28.

The following members of the staffs of our various offices were recently admitted as members of the American Institute of Accountants:

Noah O. Brookins, Los Angeles
John M. Johansen, New York
Edward P. McCluskey, New York
John P. Moran, New York
Clifford G. Wood, Rockford

The successful candidates at C. P. A. examinations in various states included the following members of our staff:

Arthur J. Bretnall, New York
William K. Donald, New York
Neville C. Gee, New York
F. M. Hilliard, Chicago
Durward F. Morgan, New York
Edwin P. Noell, New York
G. E. Shoup, Chicago

At the annual golf tournament of The New York State Society of Certified Public Accountants, held on September 23, 1937, at Bonnie Briar Country Club, Larchmont, N. Y., the President's Trophy, donated in 1934 by the then president of the society, Mr. Walter A. Staub, and awarded annually for the low gross score, was won by Mr. Wallace N. Vreeland, Jr., of our New York office.

Messrs. Henderson, Schaffer, W. A. Staub, Jennings, Knoll, Leete and Granger, of our New York office, attended the annual dinner of the Controllers Institute of America, which was held at the Waldorf-Astoria Hotel on October 5, 1937.

Mr. Charles Christian ("Chuck") Hornbostel, of our Boston staff, was married last month to Miss Lena Elizabeth Ready. "Chuck," who was graduated from Indiana University in 1934 and from the Harvard Business School in 1936, will be remembered by readers of athletic news as the fastest man in the world at his distances. Mr. Keller feels that this indicates that the Boston office is not only solid in culture and other intellectual attainments but also very speedy!

Lybrand, Ross Bros. & Montgomery

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Cities	*Addresses*
New York:	Downtown, 90 Broad Street
	Uptown, 1 East 44th Street
Philadelphia	Packard Building
Chicago	231 South LaSalle Street
Boston	80 Federal Street
Newark	744 Broad Street
Baltimore	First National Bank Building
Washington	Investment Building
Pittsburgh	Union Bank Building
Detroit	Book Building
Cleveland	Midland Building
Cincinnati	Carew Tower
Louisville	Heyburn Building
Saint Louis	411 North Seventh Street
Rockford	321 West State Street
Atlanta	Healey Building
Dallas	First National Bank Building
Houston	Shell Building
San Francisco	2 Pine Street
Los Angeles	510 South Spring Street
Seattle	Skinner Building

Europe

London, England	3 St. James's Square, S. W. 1
Paris, France	3 Rue des Italiens